

## **MINUTES**

### **MONTANA SENATE 57th LEGISLATURE - REGULAR SESSION COMMITTEE ON TAXATION**

**Call to Order:** By **CHAIRMAN BOB DEPRATU**, on January 31, 2001 at 8:00 A.M., in Room 405 Capitol.

#### **ROLL CALL**

**Members Present:**

Sen. Bob DePratu, Chairman (R)  
Sen. Alvin Ellis Jr., Vice Chairman (R)  
Sen. John C. Bohlinger (R)  
Sen. Mack Cole (R)  
Sen. Pete Ekegren (R)  
Sen. Jon Ellingson (D)  
Sen. Bill Glaser (R)  
Sen. Dan Harrington (D)  
Sen. Emily Stonington (D)

**Members Excused:** None.

**Members Absent:** None.

**Staff Present:** Lee Heiman, Legislative Branch  
Deb Thompson, Committee Secretary

**Please Note:** These are summary minutes. Testimony and discussion are paraphrased and condensed.

**Committee Business Summary:**

Hearing(s) & Date(s) Posted: Senate Bill 129, 1/22/2001;  
Senate Bill 264, 1/22/2001  
Executive Action: Senate Bill 127 Tabled 5-4  
Senate Bill 220 Hold  
Presentation on General Fund Status and Impact of  
Legislation by Terry Johnson, Legislative Fiscal Division

#### **HEARING ON SENATE BILL 129**

**Sponsor:** **SENATOR DALE BERRY**, SD 30, Bitterroot Valley

**Proponents:** Drew Dawson, Health and Human Services; Erin McGowan, American Cancer Society; Bob Pancich, AARP; Jerry Loendorf, Montana Medical Association; Rick Chiotti, Office of Public Instruction; Susan Witte, Blue Cross Blue Shield; Sami Butler, Montana Nurses Association; Mona Jamison, Shodair; John Flink, MHA; Jani McCall, Deaconess Billings Clinic; Tom Ebzery, Saint Vincent Healthcare

**Opponents:** None

**Opening Statement by Sponsor:** SENATOR BARRY explained SB 129 would put the referendum, that was passed last year for the Tobacco Trust Fund, into statute. He pointed out that 10% of the interest goes back into the trust and 90% can be spent by the Legislature but it must be prevention for health care. This was in the referendum and specifically cannot be used to replace existing programs.

**Proponents' Testimony:** Drew Dawson, representing the Health Systems Bureau, presented written testimony. **EXHIBIT (tas25a01)**

**Erin McGowan**, American Cancer Society, spoke in support of the bill. *{Tape : 1; Side : A; Approx. Time Counter : 3.9 - 4.1}*

**Bob Pancich**, AARP, support the bill.

**Jerry Loendorf**, Montana Medical Association, stood in support of the legislation.

**Rick Chiotti**, representing the Office of Public Instruction, presented written testimony. **EXHIBIT (tas25a02)**

**Susan Witte**, from Blue Cross Blue Shield of Montana, testified in support of the bill. Her organization provides the Children's Health Insurance Program (CHIP). This program would be a beneficiary of the legislation.

**Sami Butler**, representing the Montana Nurses's Association, spoke in support of the bill.

**Mona Jamison**, representing Montana Children's Hospital, stood in strong support of the bill.

**John Flink**, representing Montana Hospital Association that includes hospitals, nursing homes and other health care providers, spoke in support of the bill. They were very active in the campaign to create the Tobacco Settlement Trust Fund. It is important to use as much of the tobacco settlement money as

possible to insure long term stability of funding for health care programs. **{Tape : 1; Side : A; Approx. Time Counter : 6.5 - 6.9}**

**Jani McCall**, representing Deaconess Billings Clinic, went on record supporting this bill.

**Tom Ebzery**, an attorney from Billings and on behalf of Saint Vincent Healthcare, Saint James Healthcare and Holy Rosary Healthcare, supported the bill.

**Opponents' Testimony:** None

**Questions from Committee Members and Responses:** **SENATOR ELLINGSON** questioned existing programs that were being cut by the previous administration. **SENATOR BERRY** said there was some question that needed to be resolved as to whether the interest could ever be used to support those particular tobacco use prevention programs. He said he would do some research to check into this. **{Tape : 1; Side : A; Approx. Time Counter : 8.6 - 12}**

**Closing by Sponsor:** **SENATOR BERRY** closed.

#### **EXECUTIVE ACTION ON SENATE BILL 127**

**SENATOR ELLIS** commented that this was a sales tax that singled out an industry and he considered it piecemeal tax legislation which he did not support.

**SENATOR BOHLINGER MOVED DO PASS SB 127.** He explained this tax fund was growing at 5.5% annually. It is now over ten million dollars and by 2005 it is expected to grow to fourteen million dollars. People that come to our state do so with the expectation of having police protection, fire protection, drive on streets free of potholes and come to recreate. They pay no fees for this and he felt it was appropriate that the responsibility for maintaining these facilities and this level of service be shared by those who use them. We continually ask the property owners to pay this burden. This tax would return to towns a windfall to improve services.

**SENATOR HARRINGTON** said he supported the bill and would vote for it, however the administration would not allow it and the industry would not give up the tax revenue as this would end up being redirected to cities and towns for services.

**SENATOR ELLINGSON** noted that a lot of separate taxes was messy and not a cohesive tax structure in making business and

consumption decisions. It is bad tax policy to have a lot of miscellaneous taxes that are generating revenue. It is important to understand what is driving legislation like this. It doesn't appear that voters will approve a sales tax. Every Session tax cuts are considered. The result over the past twelve years, is that local governments and schools are under funded. Then we look for different ways to have taxes that are somehow related to the group that is paying the tax. Until there is a full resolution with the voters and the businesses of the state about who is going to bear what share of our responsibility for our needed revenues, there will continue to be taxes of this sort. He supported this bill. **{Tape : 1; Side : A; Approx. Time Counter : 12 - 23.6}**

**SENATOR STONINGTON** pointed out that during the hearing one of the claims heard was we needed to be competitive with similar areas in regards to lodging taxes. **Webb Brown** provided that information. These were a compilation of city sales tax, state sales tax and lodging taxes. Lodging taxes are not higher than ours, but in combination - Bismark, North Dakota is paying 8%. A tourist getting a room does not know what the tax covers. This represents a 5% state sales tax, a 1% city sales tax and a 3% lodging tax for a total of 8%. In Boise, Idaho, they are paying 11% on a room. It is a 5% state sales tax, 1% lodging tax and a 5% city sales tax. In Cheyenne, they are paying 8% - 5% state sales tax and a 3% lodging tax. Rapid City, they are paying 8% - 4% state, 1% business, 2% city and 1% hospitality. That means Montana is highly competitive at 4%. Given the mood of the Legislature it is doubtful that this tax will go anywhere, but of all the taxes we levy, the bed tax favors a specific industry. She asked what other industry, at taxpayer expense, gets their advertising paid for. She asked the committee if they would be willing to consider an amendment to cap the advertising amount, which is expected to grow by \$4 million dollars. She suggested taking part of the amount that was currently being spent on advertising and take new money coming in, as the result of the 4% lodging tax, and put that money into cities and towns where the impact occurs. She pointed out the impact in Bozeman by tourists had been documented as to the increase in ambulance, fire and police calls. It is appropriate that a portion of this tax go to these city governments to pay for those impacts. **{Tape : 1; Side : A; Approx. Time Counter : 23.6 - 27.6}**

**SENATOR ELLIS** pointed out that it appeared the impetus behind this bill was to get somebody else to pay. People talk about tourists, but the reality is that mostly Montanans will pay. It is always attractive to have a tax mechanism that doesn't tax the people who need the services.

**SENATOR COLE MOVED TO TABLE THE BILL.** The vote was 5-4, roll call, in favor of the table motion. **{Tape : 1; Side : B; Approx. Time Counter : 0 - 3}**

**HEARING ON SENATE BILL 264**

**Sponsor:** SENATOR MIGNON WATERMAN, SD 26, Helena

**Proponents:** Roland Mena, DPHHS; Kristi Blazer, Rimrock Foundation

**Opponents:** None

**Opening Statement by Sponsor:** SENATOR WATERMAN said the bill would amend the statute to allow alcohol taxes to be used to fund for-profit as well as non-profit treatment programs. She presented an amendment that clarified the statute to say that these funds can be used to match Medicaid dollars. This will also allow funds to be used for individuals with co-occurring illnesses. **EXHIBIT(tas25a03)** **{Tape : 1; Side : B; Approx. Time Counter : 3 - 7.8}**

**Proponents' Testimony:** Roland Mena, representing the Department of Public Health and Human Services, Addictive and Mental Disorders Division, submitted written testimony.

**EXHIBIT(tas25a04)**

**Kristi Blazer**, representing the Rimrock Foundation, supported the bill. She discussed refusing treatment for a persons inability to pay. The concern was a need for some sort of assurance that a for-profit entity would also take on these types of people. The concern is the money has been generated by alcohol and been used for treatment of that problem. The fear is that the money would be used to shore up the mental health budget.

**Opponents' Testimony:** None

**Questions from Committee Members and Responses:** SENATOR ELLIS

asked about the concerns regarding a Medicaid patient who was unable to pay. SENATOR WATERMAN replied this was current law and required. Now, this does not include Medicaid patients. Medicaid patients have the ability to pay through the state. If for-profits treat someone who does not have the ability to pay, this will apply to them. Both facilities would have to treat them. Medicaid is not an issue, since they pay.

SENATOR HARRINGTON asked about the reference to the shortfall in the mental health budget. SENATOR WATERMAN said the bill, with

the amendment, allowed for the co-occurring illnesses to be treated (See Amendment 4). She noted the state budget supplemental had recommended taking a portion of the alcohol tax to fund the supplemental for mental health. She had recommended language that would require the proposed funds be used for co-occurring illness. It would be a mistake to treat only mental illness.

**SENATOR STONINGTON** asked whether public treatment programs were required to accept anyone. **Mr. Mena** replied that state approved programs or private programs that receive public dollars cannot turn anyone away for their inability to pay. This language remains intact. However, very few private facilities receive these public dollars. The inability to pay turns into programs encouraging clients to pay on a sliding scale. The Medicaid billing is monitored through Consultec, the billing agent for the Department. He described other record keeping features. *{Tape : 1; Side : B; Approx. Time Counter : 7.8 - 27.3}*

**SENATOR BOHLINGER** asked how the match worked and the amount of dollars that were available for the treatment of people who suffered from the addiction of drugs and alcohol. **SENATOR WATERMAN** replied it was 23/77 match, based on the poverty level in the state. Now, these programs operate on 100% alcohol tax dollars. They treat everybody, including those who would be eligible for Medicaid. There is 10-15 percent of the entire population of Montana eligible for Medicaid. Providers could choose to serve more Medicaid clients or increase their rates for those providers. *{Tape : 1; Side : B; Approx. Time Counter : 27.3 - 30}*

**Dan Anderson**, from DPHHS, said there was a dramatic increase in funding for the overall chemical dependency program. **SENATOR BOHLINGER** requested additional information regarding allocation of alcohol tax for treatment. **EXHIBIT(tas25a05)** *{Tape : 2; Side : A; Approx. Time Counter : 0 - 1.9}*

**Closing by Sponsor:** **SENATOR WATERMAN** closed. She said she supported the Petesch amendment **EXHIBIT(tas25a06)**. She discussed the amendment prepared by Lee Heiman and supported #4. Telling people whether they are profit or non-profit, that they can't refuse treatment because of the inability to pay does not mandate that they have to go bankrupt serving people who cannot pay their bills. They can say they aren't taking any more patients. That is why there are compliance people. You can't just say you won't serve people who don't have money. There is a potential of an additional \$2 million dollars over the next three years in available funding. She pointed out Medicaid funds will help providers serve more people and increase provider rates. This

program is at the crisis level. This bill will increase the amount of money to address this serious problem. **{Tape : 2; Side : A; Approx. Time Counter : 1.9 - 11}**

#### **EXECUTIVE ACTION ON SENATE BILL 220**

**SENATOR BOHLINGER MOVED DO PASS.** He commented that this would piggyback a federal program established in the mid-70's. The program provided people an opportunity to receive a credit against the 7.5% withholding against their paycheck for social security. The working poor need that money today. Thirty four other states have adopted this program. This proposal would make 10% of the federal amount available. He felt the escalator feature would be excessive. He offered a conceptual amendment that would back off on the escalator. Presently, there are 66,000 working poor Montanans who claim the federal Earned Income Tax Credit. These filers would be allowed to take 10% to their credit. He felt this would be good public policy. **{Tape : 2; Side : A; Approx. Time Counter : 11 - 16.3}**

**SENATOR ELLINGSON** felt this was a great idea, but the cost was a concern. He said he was going to vote in favor of the bill. He asked that the bill could be held until another bill he was working on could be considered.

**SENATOR EKEGREN** said he was in favor of the bill as long as it stayed at 10%.

**CHAIRMAN DEPRATU** noted he was against the bill. He felt there was more need in the education area for funding and for nursing homes.

**SENATOR BOHLINGER MOVED TO AMEND** the bill to change the Montana Earned Income Tax Credit to 10% of the federal allowable credit. He pointed out there were no surplus funds but fixing it at 10% would be prudent. The question was called on the amendment. The motion **PASSED** unanimously.

**SENATOR COLE MOVED TO HOLD THE BILL.** He recommended the committee have a chance to look at the bill **SENATOR ELLINGSON** had mentioned that was similar. The motion **PASSED** unanimously.

#### **LEGISLATIVE SERVICES PRESENTATION** **ON THE GENERAL FUND STATUS**

**Terry Johnson**, representing the Legislative Fiscal Division, presented the general fund status to the committee. He

distributed information that demonstrated, in register form, the impact of legislation on available funds. **EXHIBIT (tas25a07)**  
**EXHIBIT (tas25a08)**



**ADJOURNMENT**

Adjournment: 9:30 A.M.

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SEN. BOB DEPRATU, Chairman

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DEB THOMPSON, Secretary

BD/DT

**EXHIBIT (tas25aad)**